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## U.S. Treasury Tests Japanese Financial Waters

U.S. Treasury Under Secretary for Monetary Affairs Beryl Sprinkel led a seven-member team to Japan on September 12 to explain plans to offer as much as $2 billion worth of government bonds specifically intended for foreign purchase. The move follows an upsurge in yen-denominated bond issues by foreign public and private borrowers, prompted in large part by the April 1 financial liberalizations instituted by Tokyo.

The changes with the greatest impact to date (see JEI Report No. 22B, June 8, 1984) have been the elimination of restrictions on the sale of foreign certificates of deposit (CDs) and commercial paper; the elimination of the real-demand rule in forward exchange-market transactions; and the removal of currency swap ceilings for Japanese and foreign banks. These moves, coupled

enactment of legislation such as S. 2618 would, in effect, create an even greater obstacle to U.S. participation in NTT procurement and in value-added networks because it incorporates the GATT-illegal concept of sectoral reciprocity into U.S. trade law. Edmund Fitzgerald of Northern Telecom objected to the bill on the same grounds and urged adoption of a two-tier strategy: an active business approach that would commit time and resources to the development of offshore markets; and an activist government that would pursue market access through existing international trade mechanisms and the imposition of certain supply-side measures, such as a 25 percent tax credit for research and development.

Barbara Wanner

Party Funds Hit New Record in 1983

Contributions to Japanese political parties hit a new peak in 1983, according to a recently released report by the Home Affairs Ministry. Reflecting the importance of last year's lower house elections, political parties garnered more than Y147.2 billion ($613.3 million) from major contributors, an increase of 34.5 percent from 1982.

The Japan Communist Party (JCP) and the Liberal Democratic Party (LDP) reported the highest donations for the year, with the JCP showing an increase of 5.7 percent over 1982 to Y22.9 billion ($95.42 million), while totals for the LDP jumped more than 72 percent to Y21.9 billion ($91.25 million). These figures do not accurately reflect the total financial resources of the parties, however, since a number of loopholes allow unreported contributions. Conventional wisdom suggests that these unreported contributions overwhelmingly favor the ruling Liberal Democrats.

All the major political parties reported increases in contributions in 1983. In addition to the lower house elections, the Japan Socialist Party's (JSP) drive to shed its staid image and begin a long-term campaign to challenge the LDP for control of the government is also thought to have contributed to an increase in interest among large contributors. More significant are the breakdowns by LDP faction. The 100 percent-plus increase in contributions to the Tanaka faction again underscores the former prime minister's importance in Japanese politics. The 29 percent rise in the Nakasone faction, however, compares poorly with larger jumps in contributions to his rivals within the party. The faction of Tanaka opponent Takeo Fukuda benefited in 1983 from an increase in contributions of over 44 percent, while donations to the Suzuki faction, now directed by former foreign minister Kiichi Miyazawa, more than doubled.

These numbers -- assuming that omissions in reporting are more or less uniform among factions -- would suggest that the 1983 elections were as important for their impact on the factions as on the LDP's standing vis-a-vis other political parties in Japan. The influx of donations to the Suzuki and Fukuda factions further suggests that the groundwork for possible candidacies of Mr. Miyazawa and current foreign minister Shintaro Abe was being laid last year.

Mr. Miyazawa appears to be the strongest contender at present, but at this point the prime minister seems to have the upper hand. According to some

observers, the financial report confirms suspicions that the LDP is preparing for a "post-Nakasone" era under the direction of the party's "new leaders," with Messrs. Abe, Miyazawa and Finance Minister Noboru Takeshita leading the pack, and Health and Welfare Minister Kozo Watanabe and lower house member Rokusuke Tanaka close behind. They foresee the reelection of Mr. Nakasone for a second, two-year term, followed in 1986 by strong Miyazawa and Abe candidacies, pursued by challengers laying their own foundations for the future.

Although Prime Minister Nakasone appears to have the edge in the LDP presidential sweepstakes, challenges to his austere domestic economic policies might weaken his support. The LDP president cannot succeed himself after a second term, so Japanese pundits assume the battle among his potential successors is already well under way. However, some public figures have already suggested exploring the possibility of eliminating the two-term limitation, which would open the way for a longer reign by the incumbent.

Major Donations to Political Parties*
(in millions of yen and millions of dollars)

| | Amount | Percentage Change |
|---|---|---|
| Japan Communist Party (JCP) | Y22,903.2 ($95.4) | 5.7% |
| Liberal Democratic Party (LDP) | 21,938.4 (91.4) | 72.9 |
| Komeito | 10,179.2 (42.4) | 15.0 |
| Japan Socialist Party (DSP) | 6,533.7 (27.2) | 29.8 |
| Democratic Socialist Party (DSP) | 3,484.4 (14.5) | 118.2 |
| New Liberal Club (NLC) | 567.2 (2.4) | 47.0 |
| Social Democratic Federation (Shaminren) | 87.3 (0.4) | 26.9 |

Top Recipients Among LDP Factions
(in millions of yen)

| Faction: | 1982 | 1983 | Percentage Increase |
|---|---|---|---|
| Nakasone | Y1,527.2 | Y1,979.4 | 29.6% |
| Tanaka | 466.9 | 959.9 | 105.6 |
| Fukuda | 1,115.0 | 1,614.0 | 44.8 |
| Suzuki | 471.4 | 1,423.2 | 201.9 |
| Komoto | 1,228.1 | 1,548.8 | 26.1 |

*Totals for major donations to political parties only. Party totals do not include donations to individuals or party-affiliated organizations.

Source: Ministry of Home Affairs

Michael Chinworth